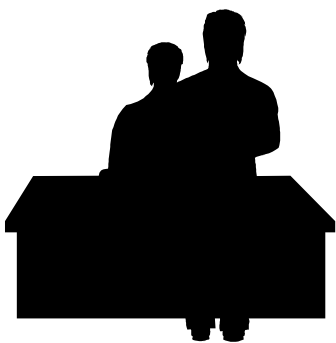




Myths and Facts about the NFIP



“You can buy federal flood insurance no matter where you live if your community belongs to the NFIP.”

How the NFIP Works

Who needs flood insurance? Everyone. And everyone in a participating community of the National Flood Insurance Program (NFIP) can buy flood insurance. More than 18,000 communities nationwide have joined the Program.

In some instances people have been told that they can not buy flood insurance because of where they live. To clear up this and other misconceptions about federal flood insurance the NFIP has compiled the following list of common myths about the Program and the real facts behind them to give you the full story about this valuable protection.

MYTH #1

You can't buy flood insurance if you are located in a high risk area.

The Facts: You can buy federal flood insurance no matter where you live if your community belongs to the NFIP, except in Coastal Barrier Resources System (CBRS) areas. The Program was created in 1968 to provide affordable flood insurance to people who live in areas, called Special Flood Hazard Areas (SFHAs), with the greatest risk of flooding. In fact, under the National Flood Insurance Act lenders must require borrowers whose property is located within an SFHA to purchase flood insurance as a condition of receiving a federally-backed mortgage loan. There is an exemption for conventional loans on properties within CBRS areas. Lenders should notify borrowers that their property is located in an SFHA and that affordable federal flood insurance is available.

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Federal Emergency
Management Agency
(FEMA)

MYTH #2

You can't buy flood insurance immediately before or during a flood.

The Facts: You can purchase flood coverage at any time. There is a 30-day waiting period after you've applied and paid the premium before the policy is effective, with the following exceptions:



“Unfortunately, many homeowners do not find out until it is too late that their homeowners’ policies do not cover flooding. Federal flood insurance protects your most valuable assets—your home and your belongings.”

- If the initial purchase of flood insurance is in connection with the making, increasing, extending or renewing of a loan there is no waiting period. The coverage becomes effective at the time of the loan, provided application and presentment of premium is made at or prior to loan closing.
- If the initial purchase of flood insurance is made during the one-year period following the issuance of a revised flood map for a community there is a one-day waiting period.

The policy does not cover a "loss in progress " defined by the NFIP as a loss occurring as of 12:01 a.m. on the first day of the policy term. In addition you cannot increase the amount of insurance coverage you have during a loss in progress.

MYTH #3

Homeowners insurance policies cover flooding.

The Facts: Unfortunately many homeowners do not find out until it is too late that their homeowners' policies do not cover flooding. Federal flood insurance protects your most valuable assets—your home and belongings.



“Even if you live in an area which is not flood prone, it’s advisable to have flood insurance.”

MYTH #4

Flood insurance is only available for homeowners.

The Facts: Flood insurance is available to protect homes, condominiums, apartments and non-residential buildings, including commercial structures. A maximum of \$250,000 of building coverage is available for single-family residential buildings; \$250,000 per unit for multifamily residences. The limit for contents coverage on all residential buildings is \$100,000, which is also available to renters. Commercial structures can be insured to a limit of \$500,000 for the building and \$500,000 for the contents.

MYTH #5

You can’t buy flood insurance if your property has been flooded.

The Facts: It doesn't matter how many times your home, apartment or business has been flooded. You are still eligible to purchase flood insurance provided that your community is participating in the NFIP.

MYTH #6

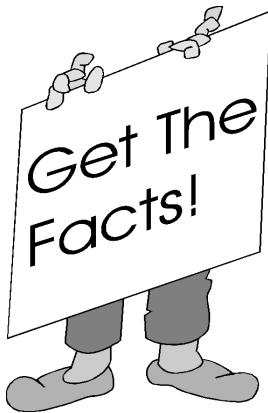
Only residents of high risk flood zones need to insure their property.

The Facts: Even if you live in an area which is not flood-prone,

it's advisable to have flood insurance. One-third of the NFIP's claims come from such areas. The NFIP's Preferred Risk Policy, available for as little as \$80 per year, is designed for residential properties located in low-to-moderate flood risk zones.

MYTH #7

The NFIP does not offer any type of basement coverage.



The Facts: Yes it does. The NFIP defines a basement as any area of a building with a floor which is subgrade, or below ground level on all sides. Basement coverage under an NFIP policy includes cleanup expenses and items used to service the building such as elevators, furnaces, hot water heaters, washers and dryers, air conditioners, freezers, utility connections, circuit breaker boxes, pumps, and tanks used in solar energy systems. The policy does not cover the contents of a finished basement or improvements such as finished walls, floors and ceilings.

MYTH #8

Federal disaster assistance will pay for flood damage.

The Facts: Before a community is eligible for disaster assistance it must be declared a federal disaster area. Federal disaster assistance declarations are awarded in less than 50% of flooding incidents. The annual premium for an NFIP policy averaging about \$300 per year is less expensive than interest on federal disaster loans even though they are always granted on favorable terms. Furthermore, if you are uninsured and receive federal disaster assistance after a flood you must purchase flood insurance to receive disaster relief in the future.

MYTH #9

The NFIP encourages coastal development.

The Facts: One of the NFIP's primary objectives is to guide development away from high flood risk areas. NFIP regulations minimize the impact of structures that are built in Special Flood Hazard Areas (SFHA) by requiring them not to cause obstructions to the natural flow of floodwaters. Also as a condition of community participation in the NFIP those structures built within SFHAs must adhere to strict floodplain management regulations. In addition the Coastal Barrier Resources Act of 1982 relies on the NFIP to discourage building in the fragile coastal areas covered by CBRA by prohibiting the sale of flood insurance in designated CBRA areas. These laws do not prohibit property owners from building along coastal areas; however they do transfer the financial risk of such building from federal taxpayers to those who choose to live or invest in these areas.

MYTH #10

Federal flood insurance can only be purchased through the NFIP directly.

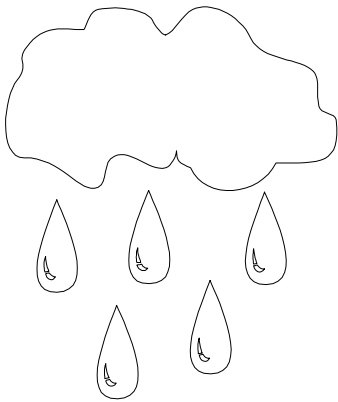
The Facts: Federal flood insurance is sold and serviced directly through the NFIP or through a Write Your Own (WYO) company. WYO companies write and service policies on a non-risk-bearing basis through a special arrangement with the Federal Insurance Administration.

MYTH #11

The NFIP does not cover flooding resulting from hurricanes, or the overflow of rivers or tidal waters.

The Facts: The NFIP defines covered flooding as a general and temporary condition during which the surface of normally dry land is partially or completely inundated. Two adjacent properties or two or more acres must be affected. Flooding can be caused by any one of the following:

- Overflow of inland or tidal waters.
- Unusual and rapid accumulation or runoff of surface waters from any source, such as heavy rainfall.
- Mudslides or mudflows caused by flooding which are comparable to a river of liquid and flowing mud.
- Collapse or destabilization of land along the lakeshore or other body of water resulting from erosion or the effect of waves.
- Water currents exceeding normal, cyclical levels.



MYTH #12

Wind-driven rain is considered flooding.

The Facts: Rain entering through wind-damaged windows, doors or a hole in a wall or the roof resulting in standing water or puddles is considered windstorm rather than flood damage. Federal flood insurance only covers damage caused by the general condition of flooding (defined above) typically caused by storm surge wave wash, tidal waves or the overflow of any body of water above normal cyclical levels. Buildings which sustain this type of damage usually have a watermark showing how high the water has risen before it subsides. Although the Standard Flood Insurance Policy (SFIP) specifically excludes wind and hail coverage, most homeowners' policies provide coverage.

For more
information...
call the NFIP at
(800) 638-6620